

IJM Corporation (IJM MK)

A Clash Of Titans; Sunway Launches VTO Bid For IJM

Highlights

- **Sunway Bhd announced its voluntary takeover offer (VTO) for IJM** with an offer price of RM3.15.
- **Valuations appear fair**, representing +1.0SD to IJM's 5-year mean PE, 1.1x FY26F PB and a 14.6% premium to the last traded price.
- **Upgrade to BUY. We lift our target price to RM3.15**, in line with the VTO price. The offer price is slightly below our non-discounted SOTP valuations.

Analysis

- **A giant in the making?** Sunway Bhd (Sunway) just announced it has submitted an RM11.0b VTO bid to fully acquire IJM Corporation (IJM). The deal is expected to conclude by 3Q26, with the offer becoming valid after 50% acceptance rate. Assuming Sunway hits 75% acceptance and IJM's free float falls below the required threshold, the group does not intend to maintain IJM's listing status. Sunway also commented that its decision on whether to maintain IJM and Sunway Construction as separate entities will depend on the acceptance rate.
- **Synergies across common ground.** From Sunway's perspective, the group stands to benefit from operational synergies and better economies of scale, especially in the shared property and construction segments. Sunway is looking to tap into IJM's local construction orderbook and undeveloped GDV of RM8.4b and RM45.1b respectively with plenty of opportunities for streamlining processes across shared segments. Impact on both balance sheets is also minimal given the deal is a share swap. On paper, there should also be no earnings dilution despite the new issuance given Sunway trades at higher valuations and IJM's contributions would be earnings accretive.
- **Fairly attractive valuations.** The offer price of RM3.15 represents a 14.6% premium to IJM's last traded value. Based on our forecasts, this works out to 24.0x FY26F PE and 1.1x FY26F P/B and is slightly below our non-discounted SOTP valuation of RM3.40. The acquisition is to be partially (10%) funded by cash with the majority (90%) of the consideration being new issuance of shares in Sunway. Should the acquisition go through, the new entity would represent the largest company by revenue and profit across both the construction and property sectors with a combined orderbook and GDV of RM13.8b and RM118.1b respectively.

Key Financials

Year to 31 Mar (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	5,919	6,252	6,941	7,214	7,776
EBITDA	1574	1363	1203	1277	1368
Operating profit	1273	1094	931	1002	1091
Net profit (rep./act.)	600	403	471	539	625
Net profit (adj.)	474	527	471	539	625
EPS (sen)	13.0	15.0	13.4	15.4	17.8
PE (x)	21.2	18.3	20.5	17.9	15.4
P/B (x)	1.0	0.9	0.9	0.9	0.9
EV/EBITDA (x)	8.0	9.7	11.2	11.0	10.9
Dividend yield (%)	2.9	2.9	2.9	3.4	3.9
Net margin (%)	10.1	6.5	6.8	7.5	8.0
Net debt/(cash) to equity (%)	24.2	30.4	32.3	37.0	43.2
Interest cover (x)	5.1	4.8	4.3	4.3	4.4
ROE (%)	5.4	3.6	4.1	4.6	5.3
Consensus net profit	-	-	482	582	617
UOBKH/Consensus (x)	-	-	0.98	0.93	1.01

Source: IJM Corporation, Bloomberg, UOB Kay Hian

BUY (Upgraded)

Share Price	RM2.75
Target Price	RM3.15
Upside	+14.6%
Previous TP	RM2.72

Analyst(s)

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	9,639.2
Market cap (US\$m):	2,372.3
3-mth avg daily t'over (US\$m):	4.9

Price Performance (%)

52-week high/low					RM3.10/RM1.80
1mth	3mth	6mth	1yr	YTD	
26.2	(1.4)	3.0	(8.9)	21.2	

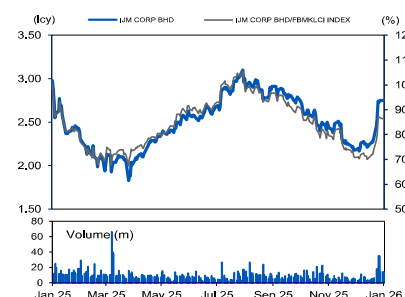
Major Shareholders

	%
Employees Provident Fund	18.4
Amanah Saham Nasional	12.9
KWAP	9.6

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	2.85
FY26 Net Debt/Share (RM)	0.69

Price Chart



Source: Bloomberg

Company Description

A conglomerate with exposure in construction, property, plantation and concession assets.

• Salient points from the VTO and briefing:

- The offer price will be satisfied 10% via a cash payment equivalent to RM0.315 and 90% via new issuance in Sunway shares at RM5.65. We note that: a) the new issuance represents a 0.9% premium to Sunway's last price, b) the price will be adjusted based on dividends for both parties but those accepting the offer will not be eligible for the dividend-in-specie for the upcoming Sunway Healthcare IPO, and c) the deal still requires buy-in from IJM's management and major shareholders.
- Sunway indicated that it has not contacted any shareholders officially until this announcement. Note that IJM's largest shareholders are EPF (18.4%), ASB/PNB (12.9%), KWAP (9.6%), Public Mutual (4.6%), Vanguard Group (4.0%), Urusharta Jamaah (3.7%), and others, based on earlier filings.
- The offer is conditional upon: a) a minimum acceptance condition of 50% + one share, b) approval of Sunway's major shareholder at an EGM to be convened earliest in Mar 26, and c) Bursa Securities and other relevant authorities.
- The offer shall remain open for acceptances for 21 days. Assuming acceptance passes the required threshold, the deal is expected to be completed by 3Q26.
- **Broadly, we would advocate for investors to take the offer** as the premium to valuations and price should offer ample upside. However, we do note that the offer price is slightly below (-7%) our non-discounted SOTP of RM3.40 and that the cash-light, share-heavy consideration may not be appealing to some. The complexity of the share-swap structure versus a full cash offer may affect the success of the deal given some IJM shareholders may prefer a more cash-heavy payout.

Outstanding Orderbook



Source: IJM

SOTP Valuation

	Value (RMm)	Remarks
Construction & Industry	7,637	18x FY26F PE
Infrastructure assets	3,554	Cost of equity 8%
Property	1,614	40% discount to RNAV
Other Investments	583	
Less: Net debt	-1,467	End-FY25
Total SOP value	11,920	
Enlarged sharebase	3,507	
FD SOP/share	3.40	
Discount	7%	
Fair value/share (RM)	3.15	
Implied FY26F PE (x)	24.0	

Source: UOB Kay Hian

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of RM3.15 (previously RM2.72)** as we bring our target in line with the offer price. We reduce our SOTP discount from 20% to 7% (see RHS table for details). We had previously imputed the discount to reflect short- to medium-term headwinds faced by the infrastructure and property segments. Our target price implies an FY26F PE of 24.0x (+1.0SD to its 5-year mean).

Earnings Revision/Risk

- None.

Environmental, Social, Governance (ESG) Updates

Environmental

- Achieved emissions avoidance of 5,176 tCO₂e in FY25 from renewable energy generation, waste recycled and the purchase of renewable energy certificates

Social

- Spent RM2.4m in social contributions to support the community in FY25.

Governance

- Aligned with the principles of the Malaysian Code on Corporate Governance.

Profit & Loss

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Net turnover	6,252	6,941	7,214	7,776
EBITDA	1,363	1,203	1,277	1,368
Deprec. & amort.	269	272	275	278
EBIT	1,094	931	1,002	1,091
Associate contributions	(19)	12	46	83
Net interest income/(expense)	(283)	(277)	(295)	(312)
Pre-tax profit	791	665	753	862
Tax	(324)	(160)	(181)	(207)
Minorities	(14)	15	17	20
Preferred dividends	(50)	(50)	(50)	(50)
Net profit	403	471	539	625
Net profit (adj.)	527	471	539	625

Balance Sheet

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,913	6,081	7,246	8,408
Other LT assets	4,469	4,481	4,527	4,610
Cash/ST investment	2,450	2,504	2,281	1,851
Other current assets	9,937	10,039	10,367	11,078
Total assets	21,769	23,105	24,420	25,947
ST debt	1,874	1,849	1,965	2,081
Other current liabilities	3,650	4,451	5,162	6,033
LT debt	3,961	4,315	4,585	4,856
Other LT liabilities	954	985	1,005	1,044
Shareholders' equity	11,127	11,316	11,531	11,781
Minority interest	203	188	171	152
Total liabilities & equity	21,769	23,105	24,420	25,947

Cash Flow

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Operating	696	1,151	915	759
Pre-tax profit	791	665	753	862
Tax	(295)	(160)	(181)	(207)
Deprec. & amort.	269	272	275	278
Associates	19	(12)	(46)	(83)
Working capital changes	(343)	131	(140)	(345)
Other operating cashflows	254	254	254	254
Investing	(766)	(766)	(766)	(766)
Capex (growth)	(1,440)	(1,440)	(1,440)	(1,440)
Proceeds from sale of assets	878	878	878	878
Others	(204)	(204)	(204)	(204)
Financing	(314)	(319)	(360)	(412)
Dividend payments	(280)	(282)	(324)	(375)
Proceeds from borrowings	386	386	386	386
Others/interest paid	(420)	(423)	(423)	(423)
Net cash inflow (outflow)	(384)	66	(211)	(419)
Beginning cash & cash equivalent	2,846	2,450	2,504	2,281
Changes due to forex impact	(12)	(12)	(12)	(12)
Ending cash & cash equivalent	2,450	2,504	2,281	1,851

Key Metrics

Year to 31 Mar (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.8	17.3	17.7	17.6
Pre-tax margin	12.7	9.6	10.4	11.1
Net margin	6.5	6.8	7.5	8.0
ROA	1.9	2.1	2.3	2.5
ROE	3.6	4.1	4.6	5.3
Growth				
Turnover	5.6	11.0	3.9	7.8
EBITDA	(13.4)	(11.8)	6.1	7.2
Pre-tax profit	(18.0)	(15.9)	13.2	14.5
Net profit	(32.8)	16.7	14.6	15.8
Net profit (adj.)	11.1	(10.7)	14.6	15.8
EPS	11.1	(10.7)	14.6	15.8
Leverage				
Debt to total capital	51.5	53.6	56.0	58.1
Debt to equity	52.4	54.5	56.8	58.9
Net debt/(cash) to equity	30.4	32.3	37.0	43.2
Interest cover (x)	4.8	4.3	4.3	4.4

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